



March 23, 2017

Ex Parte

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: USTelecom Ex Parte Notice Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

As the Federal Communications Commission (Commission) moves forward with the Connect America Fund (CAF) Phase II Auction, it will need to address the treatment of obligations and legacy frozen support for Price Cap (PC) carriers in states where the state level commitments were turned down. To assist the Commission in moving forward on this issue, USTelecom submits the following proposal for consideration.

In 2012, the Commission provided PC companies that refused the offered state level commitment High Cost support frozen at the 2011 legacy high cost funding levels, coupled with an increasing obligation to build and maintain broadband service in otherwise unserved areas.¹ This frozen support was offered to PC companies on an ongoing basis subject to the future acceptance of the Commission's Right of First Refusal (ROFR) model-based support which took place in 2015. The Commission further envisioned that the level of support would be reduced to reflect areas that would be served through the CAF II Auction.

PC companies that refused the state level commitment continued to be offered frozen support for those geographic areas where they were already receiving such support. The Commission must now address how to take the originally offered frozen support coupled to broadband obligations and transition that support to help provide voice services in the geographic areas not covered through the CAF II auction

¹ See Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17668, para. 133 (2011); *aff'd sub nom.*, *In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

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USTelecom proposes that the Commission utilize its Connect America Cost Model (CAM) support levels to create a factor to adjust the level of frozen support as a function of the funded census blocks (CBs) that are successfully bid for during the CAF II Auction. For each PC state that continues to receive frozen support, USTelecom proposes the following methodology: 1) the denominator would be the total CAM model support for the CAF II Auction funded CBs that is determined for a particular state; and 2) the numerator would be the sum of the CAM support for those CBs that are successfully bid on in the CAF II Auction. This factor would be applied to the original offer of support for that state for that PC company and would determine the level of voice support within the transition.

For example, assume \$10 million in Frozen Support for a given state was originally provided to a given PC company. In addition, the total CAM model support for the CAF II Auction funded CBs for this same geography is \$100 million, and the CAM support for the CBs that are won in the auction are \$30 million. The ongoing frozen support that transitions to voice support would be \$7 million, based on the following equation:

$$\text{\$7 million} = \text{\$10 million} \left(\frac{(\text{\$100 M} - \text{\$30 M})}{\text{\$100 million}} \right)$$

The proposed formulation ensures that frozen support is available in any given geographic area in an amount proportional to awarded CAF amounts. Such an approach reflects a balanced and judicious distribution of funding that will ensure continued support for voice services outside of areas supported through the CAF II auction.

Pursuant to Commission rules, please include this ex parte letter in the above identified proceeding.

Sincerely,



Jon Banks
Senior Vice President, Law & Policy

cc: Alex Minard